

PATCHIN

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE

IN RE: ADAMS GOLF, INC. : CONSOLIDATED  
SECURITIES LITIGATION : C.A. NO. 99-371 KAJ  
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ORAL DEPOSITION OF STEPHEN R. PATCHIN  
Tuesday, June 13, 2006

The oral deposition of STEPHEN R. PATCHIN  
was held at the law offices of Akin Gump Strauss  
Hauer & Feld, LLP, 1700 Pacific Avenue, Suite  
4100, Dallas, Texas, from 9:35 a.m. to 11:53 a.m.,  
before Jamie K. Israelow, a Certified Shorthand  
Reporter in and for the State of Texas, Registered  
Professional Reporter, Certified Realtime Reporter  
and Certified LiveNote Reporter.

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09:46:14 1 A Okay.  
 09:46:22 2 Q Can you identify this for me?  
 09:46:24 3 A It appears to be a memo from the desk  
 09:46:26 4 of Barney Adams to members of the board of  
 09:46:33 5 directors on that date. I'm assuming that's all  
 09:46:36 6 of the members of the board of directors. I don't  
 09:46:38 7 know for sure. And it's a financial report,  
 09:46:41 8 purports to be a financial report that Jim Farrell  
 09:46:44 9 gave to Lehman Brothers.  
 09:46:49 10 Q Do you remember receiving it around  
 09:46:52 11 the end of April, April 22nd, 1998?  
 09:46:55 12 A We get, unfortunately, thousands of  
 09:47:00 13 documents out of Adams Golf. If it says I got it  
 09:47:03 14 and it has Barney's initials on it, then I got it.  
 09:47:06 15 No, I have no recollection of receiving it in  
 09:47:14 16 1998.  
 09:47:14 17 Q Take a look at -- oh, this is -- do  
 09:47:17 18 you see the bottom where it says "Adams," and it  
 09:47:20 19 has a number?  
 09:47:21 20 A Uh-huh.  
 09:47:21 21 Q It says: Adams 003992.  
 09:47:34 22 A I've got 008283, 84, 89, 90.  
 09:47:38 23 Q Just a second.  
 09:47:41 24 MS. FOX: Off the record.

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09:47:41 1 (An off-the-record discussion  
 09:48:51 2 was held from 9:47 to 9:48.)  
 09:48:52 3 MS. BRANNEN: So 3992.  
 09:48:54 4 Q (By Ms. Fox) Are you looking at  
 09:48:57 5 3992?  
 09:48:58 6 A Yes.  
 09:48:58 7 Q That purports to be financial  
 09:49:00 8 projections for the years ended '98, '99, 2000,  
 09:49:05 9 2001, 2002.  
 09:49:08 10 A Okay.  
 09:49:08 11 Q Do you remember looking at that as  
 09:49:12 12 the -- as a document that had been given to the  
 09:49:16 13 underwriters, projections for Adams Golf?  
 09:49:18 14 MR. KANE: Objection --  
 09:49:19 15 A No. I mean --  
 09:49:20 16 MR. KANE: Objection,  
 09:49:21 17 foundation.  
 09:49:27 18 A Okay. So he -- I've never done this  
 09:49:29 19 before. There's obviously no one to rule.  
 09:49:32 20 Q (By Ms. Fox) If --  
 09:49:32 21 A Okay. He objects and I answer?  
 09:49:34 22 Q Yes.  
 09:49:35 23 A I do not recall looking at this in  
 09:49:41 24 '98. I'm sure I did.

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09:49:42 1 Q And do you remember any reaction you  
 09:49:45 2 may have had to the magnitude of these  
 09:49:45 3 projections?  
 09:49:48 4 MR. KANE: Same objection.  
 09:49:55 5 A I do not recall any reaction I might  
 09:49:58 6 have had at the time, no.  
 09:50:02 7 Q (By Ms. Fox) Were you -- when did  
 09:50:03 8 you become aware that Adams Golf was planning  
 09:50:06 9 to -- to go public? Do you know that?  
 09:50:08 10 A I don't know that. I don't remember.  
 09:50:15 11 Q Do you remember how you found out?  
 09:50:17 12 A I would say it was probably through  
 09:50:19 13 either a -- it would be a combination of  
 09:50:21 14 discussions with Barney and board meetings  
 09:50:24 15 Q Were you in favor of that or against  
 09:50:28 16 it, or had --  
 09:50:29 17 A I was in favor of investigating the  
 09:50:34 18 possibility of going public.  
 09:50:35 19 Q You weren't immediately gung ho, this  
 09:50:39 20 is what we ought to do?  
 09:50:40 21 A No.  
 09:50:40 22 Q And why not?  
 09:50:42 23 A I'm a cautious person.  
 09:50:47 24 Q And as a cautious person, you don't

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09:50:48 1 remember looking at these projections?  
 09:50:53 2 MR. KANE: Objection. asked  
 09:50:55 3 and answered.  
 09:50:55 4 A Not -- and no. I still don't remember  
 09:50:57 5 looking. I don't remember now looking at them  
 09:51:00 6 then.  
 09:51:00 7 Q (By Ms. Fox) Do you remember any  
 09:51:03 8 concern about the level of the projections that  
 09:51:05 9 were given to the underwriters?  
 09:51:08 10 MR. KANE: Objection. asked  
 09:51:10 11 and answered, foundation.  
 09:51:13 12 A I -- I recognized -- do I -- I'm  
 09:51:18 13 sorry. Can you repeat the question?  
 09:51:20 14 Q (By Ms. Fox) Do you remember, apart  
 09:51:23 15 from this document, having any concern about the  
 09:51:25 16 level of projections that Adams Golf was giving to  
 09:51:30 17 the underwriters?  
 09:51:32 18 A I have -- no, I don't remember that.  
 09:51:39 19 sitting here today.  
 09:51:39 20 Q Do you remember who the underwriters  
 09:51:42 21 were?  
 09:51:42 22 A I believe it was Lehman Brothers.  
 09:51:44 23 Q Any --  
 09:51:45 24 A Among others. There was a list of

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09:51:46 1 them, but that's the only one that strikes me  
 09:51:49 2 today, simply because there's a representative of  
 09:51:52 3 Lehman Brothers sitting here today.  
 09:51:53 4 Q Well, he represents them all, I  
 09:51:55 5 think.  
 09:51:55 6 MR. KANE: I do.  
 09:51:58 7 A Okay.  
 09:51:58 8 Q (By Ms. Fox) Did you -- did you have  
 09:51:59 9 any dealings with the underwriters at the time of  
 09:52:02 10 the IPO or before?  
 09:52:04 11 A No.  
 09:52:04 12 Q Did you go to any of the drafting  
 09:52:08 13 sessions for the registration statement, the  
 09:52:12 14 prospectus?  
 09:52:14 15 A No.  
 09:52:14 16 Q Do you remember looking at any of the  
 09:52:17 17 drafts of the wording of the registration  
 09:52:24 18 statement and prospectus, registration statement  
 09:52:30 19 which contains the prospectus?  
 09:52:32 20 A I have a recollection of looking at  
 09:52:35 21 what I remember to be the final copy before it  
 09:52:45 22 went out. It was at a board meeting, just before  
 09:52:49 23 the board meeting, just before the registration  
 09:52:51 24 statement or just before the -- whatever you call

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09:52:53 1 it -- prospectus went out  
 09:52:56 2 Q Did you sign it?  
 09:52:56 3 A I signed whatever I was supposed to  
 09:52:58 4 sign. I don't know if I signed a registration  
 09:53:02 5 statement and prospectus or documentation related  
 09:53:05 6 thereto.  
 09:53:06 7 Q What did you do to make sure what you  
 09:53:07 8 were signing was accurate?  
 09:53:12 9 A Well, there were a number of meetings  
 09:53:15 10 leading up to -- a number of board meetings  
 09:53:18 11 leading up to the actual point in time when the  
 09:53:21 12 registration statement became active, and I recall  
 09:53:24 13 a number of sessions where directors asked a  
 09:53:30 14 number -- a number of quite long sessions to the  
 09:53:36 15 point it was irritating Barney, but asked a number  
 09:53:42 16 of pointed questions to management to make sure  
 09:53:46 17 the -- we were comfortable putting our names on --  
 09:53:50 18 on that document, but I don't remember any  
 09:53:52 19 specific questions that were asked. But I do  
 09:53:55 20 remember some arduous board meetings.  
 09:53:58 21 Q What was irritating Barney?  
 09:54:00 22 A Oh, just -- Barney has just got a  
 09:54:03 23 personality of: Hey, I've taken care of this.  
 09:54:06 24 Why are you questioning me on this? That's just

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09:54:08 1 Barney  
 09:54:14 2 Q You don't remember any specific  
 09:54:15 3 questions that irritated him?  
 09:54:34 4 A No.  
 09:54:50 5 MS. FOX: Can we go off the  
 09:54:51 6 record a second?  
 09:54:51 7 (An off-the-record discussion  
 09:56:09 8 was held from 9:54 to 9:57.)  
 09:56:09 9 (Deposition Exhibit 283  
 09:56:10 10 was marked )  
 09:57:25 11 Q (By Ms. Fox) Mr. Patchin,  
 09:57:28 12 Exhibit 283 is Bates-stamped UND 02964 --  
 09:57:34 13 A Okay.  
 09:57:34 14 Q -- to 2970.  
 09:57:34 15 A Okay.  
 09:57:39 16 MS. FOX: Is that the right --  
 09:57:42 17 MR. KANE: (Attorney nods.)  
 09:57:43 18 Q (By Ms. Fox) Can you identify it for  
 09:57:46 19 me?  
 09:57:46 20 A It appears to be the minutes of the  
 09:57:48 21 special meeting of the board of directors of Adams  
 09:57:50 22 Golf which took place on April 29 of '98.  
 09:57:53 23 Q And does it reflect that you were  
 09:57:57 24 there?

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09:57:57 1 A Yes.  
 09:57:58 2 Q Do you remember being there?  
 09:58:11 3 A Yes.  
 09:58:31 4 Q Can you tell me what the major  
 09:58:33 5 resolutions of the board were on this date?  
 09:58:36 6 MS. BRANNEN: Objection. The  
 09:58:37 7 document speaks for itself.  
 09:58:39 8 MS. FOX: Okay.  
 09:58:40 9 Q (By Ms. Fox) Do you remember what  
 09:58:41 10 was -- what was decided on this date?  
 09:58:43 11 A I do not remember. I'd have to look  
 09:58:45 12 at the -- the minutes of the meeting and -- and  
 09:58:50 13 basically read back what it says. I -- you know,  
 09:58:58 14 there have been a lot of meetings.  
 09:59:06 15 Q Take a look at the page that says:  
 09:59:09 16 Minutes of Special Meeting of Board of Directors,  
 09:59:13 17 Page 4.  
 09:59:14 18 A Okay.  
 09:59:15 19 Q It's --  
 09:59:16 20 MS. BRANNEN: Bates number  
 09:59:18 21 2967?  
 09:59:20 22 MS. FOX: 2967, that's  
 09:59:22 23 correct  
 09:59:23 24 A Okay.

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<p>09:59:23 1 Q (By Ms. Fox) The second-to-the-last  09:59:26 2 paragraph  09:59:26 3 A Resolved?  09:59:27 4 Q Yes Do you remember being put on  09:59:33 5 the compensation plan committee of the board at  09:59:36 6 that point?  09:59:39 7 A I remember that I am on the  09:59:42 8 compensation committee. I remember that I have  09:59:44 9 been on the compensation committee for quite some  09:59:46 10 time, and I don't think I've ever been off the  09:59:49 11 compensation committee since I was put on.  09:59:52 12 Do I remember this is the  09:59:53 13 first time I was put on? No. Sorry  09:59:56 14 Q Did you think you were on the  09:59:59 15 compensation committee when the company was  10:00:01 16 private?  10:00:01 17 A No. I'm saying --  10:00:02 18 Q So ever since the company went  10:00:04 19 public, you've been on the compensation committee?  10:00:07 20 A Correct.  10:00:07 21 MS. BRANNEN: And objection.  10:00:08 22 This is slightly before the company went public  10:00:13 23 THE WITNESS: Okay.  10:00:31 24 Q (By Ms. Fox) Okay. I'm done with</p>	<p>10:01:47 1 MR. KANE: Vague. Time  10:01:54 2 period.  10:01:54 3 A Yes, I was aware that at some point  10:01:56 4 in time Costco was -- well, let me put it this  10:02:01 5 way: I was told that. At that point in time, I  10:02:04 6 didn't even know who Costco was. They don't exist  10:02:08 7 in Texas -- or they didn't at the time, so --  10:02:11 8 Q (By Ms. Fox) So -- but do you  10:02:13 9 remember where?  10:02:16 10 A No, I don't. I just remember the  10:02:18 11 name Costco. I remember that they were some kind  10:02:20 12 of discount warehouse.  10:02:21 13 Q Did the board vote on whether or not  10:02:26 14 to file suit, or was that Barney's decision or  10:02:30 15 someone's in the company?  10:02:31 16 A I don't remember. I would assume  10:02:32 17 that it was brought up to the board, but that  10:02:37 18 might be an overly broad assumption. I -- I -- I  10:02:41 19 know that there was a lawsuit. Beyond that, I  10:02:43 20 don't have a whole lot of recollection about it.  10:02:47 21 Q How about with regard to press  10:02:50 22 releases? Did the board -- was the board notified  10:02:52 23 when there would be a press release?  10:02:57 24 A Generally, we would receive a press</p>
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<p>10:00:31 1 that.  10:00:44 2 Do you remember hearing about  10:00:47 3 any problem with gray marketing before the IPO?  10:00:52 4 MS. BRANNEN: Objection,  10:00:56 5 vague.  10:00:56 6 A You know, a -- when --  10:00:58 7 Q (By Ms. Fox) Well, before --  10:00:59 8 A At what point in time?  10:01:01 9 Q -- the IPO.  10:01:03 10 A Anytime before the IPO?  10:01:05 11 Q Well, we're talking really about 1998  10:01:10 12 until July 9th.  10:01:11 13 A I recall that there was a lawsuit  10:01:20 14 against -- I can't remember the name of the  10:01:21 15 company -- Costco. Whether that was around the  10:01:24 16 time of the IPO, I can't recall.  10:01:27 17 Q Do you remember the reason for the  10:01:29 18 lawsuit?  10:01:29 19 A I remember that Costco was  10:01:31 20 actually -- we were trying to discover how Costco  10:01:34 21 was getting out product in that they weren't one  10:01:37 22 of our correct buyers.  10:01:42 23 Q And were you aware of where Adams  10:01:45 24 Golf clubs were found in Costco?</p>	<p>10:02:58 1 release about the same time as it was sent to the  10:03:04 2 media.  10:03:04 3 Q So then you had not voted to -- to  10:03:07 4 issue a press release?  10:03:08 5 MS. BRANNEN: Objection,  10:03:10 6 mischaracterizes testimony  10:03:12 7 A I don't recall whether or not Adams  10:03:16 8 Golf board ever voted on any press release. We  10:03:18 9 may have voted on some and not on others. I don't  10:03:23 10 recall.  10:03:23 11 Q (By Ms. Fox) Was there any kind of  10:03:25 12 policy that you were aware of when a press release  10:03:29 13 would be issued?  10:03:30 14 A Not that I'm aware of.  10:03:32 15 Q Was -- would you characterize press  10:03:37 16 releases being issued as generally an important  10:03:39 17 issue?  10:03:41 18 MR. KANE: Objection, vague.  10:03:41 19 MS. BRANNEN: Objection,  10:03:44 20 vague.  10:03:44 21 A Not necessarily  10:03:44 22 Q (By Ms. Fox) What kind of instances  10:03:45 23 do you know of where Adams Golf issued press  10:03:54 24 releases?</p>

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<p>10:03:54 1 A They would issue press releases when  10:03:56 2 they would win some kind of competition among club  10:04:00 3 raters, so that they would generally talk about,  10:04:05 4 you know -- it would be marketing press releases.  10:04:07 5 After the IPO, there would be  10:04:10 6 financial press releases in terms of financial  10:04:13 7 statements or items of interest to the investing  10:04:19 8 community, so I would characterize them as both  10:04:24 9 types of items.  10:04:25 10 While they were private, not  10:04:28 11 so much. I don't think there was any financial  10:04:30 12 releases of information because it was a private  10:04:32 13 company  10:04:33 14 At the time we were going IPO  10:04:35 15 and forward, that's when those kind of started  10:04:37 16 So generally before, it was about marketing  10:04:43 17 issues My recollection.  10:04:46 18 Q Did you have an understanding of  10:04:49 19 why -- why Barney wanted to sue Costco or to file  10:04:54 20 an action against Costco?  10:04:56 21 A He wanted to figure out how they were  10:04:58 22 getting his clubs.  10:04:59 23 Q Do you know if he was successful at  10:05:01 24 that?</p>	<p>10:06:24 1 irritated that a supplier -- that a nonqualified  10:06:33 2 buyer was -- was in -- had inventory of our  10:06:37 3 stock -- you know, of our clubs and wanted to find  10:06:40 4 out about it.  10:06:45 5 Q Another topic. Did you prepare for  10:06:47 6 this deposition in any way?  10:06:49 7 A Can you define "prepare"? My  10:06:53 8 attorney and I met yesterday, yeah.  10:06:55 9 Q Okay.  10:06:55 10 A And she kind of helped me get through  10:06:59 11 the timeline a little bit, but that's about all.  10:07:04 12 Q Did you talk to Mr. Brown about his  10:07:06 13 deposition?  10:07:06 14 A I did not. I specifically did not  10:07:09 15 because I knew that was a no-no, and I didn't want  10:07:13 16 to put him in an uncomfortable position.  10:07:16 17 Q And I also assume you didn't read his  10:07:18 18 deposition?  10:07:18 19 A No, I did not.  10:07:25 20 Q Were you aware while you were on the  10:07:27 21 board that the SEC made comments about the IPO,  10:07:32 22 about the registration statement?  10:07:36 23 A I don't know.  10:07:37 24 MS BRANNEN: Objection, vague</p>
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<p>10:05:01 1 A I do not know.  10:05:04 2 Q Let me show you this. This is  10:05:06 3 Exhibit 77.  10:05:20 4 A It was right about the right time.  10:05:24 5 Q Exhibit 77 is the press release that  10:05:27 6 was issued at the time Adams Golf filed the bill  10:05:31 7 of discovery against Costco?  10:05:33 8 A Appears to be.  10:05:35 9 Q And -- and this was sent to all the  10:05:38 10 board members, I assume?  10:05:39 11 A I would assume that we received a  10:05:42 12 copy of that, yes.  10:05:44 13 Q Do you remember any discussion of it  10:05:45 14 on the board or among board members?  10:05:49 15 A I remember -- no, I really don't. I  10:05:55 16 do remember that Costco was discussed. I don't  10:05:58 17 remember whether we discussed a bill of discovery,  10:06:03 18 specifically. I remember that -- that the issue  10:06:07 19 was discussed, yeah.  10:06:11 20 Q Do you remember the -- what was said  10:06:13 21 in those discussions?  10:06:16 22 A I don't remember any specific -- I  10:06:18 23 can't quote anybody. I can say that generally we  10:06:21 24 wanted to find out -- you know, Barney was</p>	<p>10:07:38 1 on time.  10:07:40 2 Q (By Ms Fox) Okay As to -- the IPO  10:07:44 3 was in July.  10:07:46 4 A Okay  10:07:46 5 Q July 10th.  10:07:48 6 A Okay  10:07:48 7 Q The -- the first IPO documents or  10:07:53 8 registration statement documents were filed with  10:07:55 9 the SEC well before that. The SEC made comments.  10:08:00 10 A Okay.  10:08:00 11 Q My question is: Do you remember  10:08:02 12 receiving those comments?  10:08:03 13 A I -- no I don't remember that, no  10:08:11 14 Not to say I didn't receive them. I don't  10:08:13 15 remember it.  10:08:17 16 Q Okay  10:08:17 17 MS FOX: Off the record  10:08:19 18 again.  10:08:19 19 (An off-the-record discussion  10:08:45 20 was held from 10:08 to 10:08 )  10:08:46 21 MS. FOX: This is Exhibit 164,  10:08:49 22 UND 02708 from Joe Hoffman to the file  10:09:02 23 Q (By Ms Fox) Mr. Patchin, have you  10:09:03 24 had a chance to -- to look at that document?</p>

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<p>10:09:05 1 A I've read the first sentence. Give  10:09:07 2 me a second.  10:09:40 3 Q Okay.  10:09:42 4 A Okay.  10:09:42 5 Q Do you remember either seeing this  10:09:45 6 document itself or discussing these comments on  10:09:50 7 the board?  10:09:51 8 A No to both questions.  10:09:55 9 Q That doesn't refresh your  10:09:57 10 recollection as to any knowledge you had about the  10:10:00 11 SEC's comments?  10:10:05 12 A No.  10:10:05 13 Q Do you remember any discussion about  10:10:06 14 whether the file in front of me, the Costco issue,  10:10:14 15 should be mentioned in the prospectus?  10:10:17 16 MS BRANNEN: Objection,  10:10:18 17 vague Are you asking about board discussions?  10:10:20 18 Can you read the question  10:10:22 19 back  10:10:22 20 Q (By Ms. Fox) I want to know if you  10:10:23 21 had any discussions a lot all with anybody about  10:10:26 22 whether the Costco issue should be mentioned in  10:10:29 23 the prospectus under Number 4.  10:10:32 24 A I don't have any recollection of that</p>	<p>10:23:45 1 Taking a look at it, do you recognize it?  10:23:53 2 A I recognize it as a -- yes,  10:23:56 3 relative -- my memory of -- I mean, this is --  10:24:00 4 Q The actual document handed to you is  10:24:02 5 not good, I'm sure. Do you remember signing it?  10:24:06 6 A I remember signing a document which  10:24:09 7 allowed us to go public, yes.  10:24:14 8 Q And what did -- I guess I asked you  10:24:16 9 this before, but now seeing it, are there any  10:24:18 10 parts that you made an investigation about  10:24:28 11 personally?  10:24:28 12 A I'm sure that as a board, you know --  10:24:32 13 personally? I have no recollection of that. I'm  10:24:34 14 sure that as a board we sat and discussed almost  10:24:39 15 all this page by page, but I -- I got no -- no  10:24:42 16 recollection of any specific questions or comments  10:24:44 17 that were made, no.  10:24:45 18 Q Did you yourself have any questions  10:24:48 19 about it or comments or -- or reservations?  10:24:52 20 A I actively participate in board  10:24:55 21 meetings, so I'm sure I did, but I don't remember  10:24:59 22 them.  10:25:00 23 Q Did you have discussions with  10:25:01 24 Mr. Brown about it?</p>
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<p>10:10:33 1 at all, no  10:10:36 2 Q Okay.  10:10:37 3 A Doesn't mean it didn't happen. I  10:10:39 4 just don't remember it.  10:10:45 5 Q Okay And if I were to show you  10:10:47 6 letters written back to the SEC, would that  10:10:50 7 refresh your recollection of that?  10:10:51 8 A Probably not.  10:10:53 9 Q Okay.  10:10:53 10 A You know, if there's a letter that  10:10:56 11 indicates that I was copied on them or received  10:10:59 12 copies of them --  10:11:04 13 Q They do not --  10:11:04 14 MS BRANNEN: I'm sorry, Liz.  10:11:08 15 Q (By Ms. Fox) They do not reflect  10:11:08 16 that you received copies?  10:11:10 17 MS BRANNEN: Can we go off  10:11:10 18 the record for just a second?  10:11:10 19 (A recess was taken from  10:23:33 20 10:11 to 10:23.)  10:23:33 21 Q (By Ms. Fox) Mr. Patchin, this is  10:23:37 22 the S-1 that was filed on 7/10/98.  10:23:43 23 A Okay.  10:23:43 24 Q Which was the date of the IPO.</p>	<p>10:25:03 1 A Probably. I don't -- I have no  10:25:06 2 recollection of that either.  10:25:07 3 Q You don't remember anything.  10:25:13 4 A No. It --  10:25:16 5 Q Okay.  10:25:16 6 A You know, nothing with any  10:25:18 7 specificity I remember that we signed the  10:25:20 8 document. I remember that we filed a document. I  10:25:22 9 remember that we went public. I remember that the  10:25:25 10 board had discussions about it. I remember that,  10:25:27 11 you know, a number of discussions, you know,  10:25:34 12 and -- a number of meetings. No, I don't remember  10:25:38 13 anything specifically  10:25:39 14 Q And I take it you were not involved  10:25:41 15 in drafting in any way?  10:25:43 16 A No, I was not.  10:25:49 17 Q Let's look at --  10:25:51 18 MS BRANNEN: Can we go off  10:25:52 19 the record for a second?  10:25:52 20 (An off-the-record discussion  10:25:52 21 was held from 10:25 to 10:28.)  10:28:19 22 Q (By Ms. Fox) This document, however,  10:28:20 23 does have page numbers. if you'll look on the  10:28:23 24 bottom</p>

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<p>10:28:23 1 A Okay</p> <p>10:28:25 2 Q And I want you to take a look at</p> <p>10:28:27 3 Page 6 --</p> <p>10:28:32 4 A Okay</p> <p>10:28:32 5 Q -- Risk Factors.</p> <p>10:28:35 6 Do you remember any discussion</p> <p>10:28:36 7 at all about risk factors?</p> <p>10:28:40 8 A No, I don't</p> <p>10:28:45 9 Q Had you ever dealt with an IPO before</p> <p>10:28:48 10 at the time you did this one?</p> <p>10:28:51 11 A Define "dealt with." I've invested</p> <p>10:28:55 12 in a number of them, but in terms of producing</p> <p>10:28:57 13 them or being on the board of directors that was</p> <p>10:28:59 14 involved with them, no.</p> <p>10:29:00 15 Q Or signing one?</p> <p>10:29:01 16 A No</p> <p>10:29:01 17 Q This was the first one you'd ever</p> <p>10:29:03 18 signed?</p> <p>10:29:04 19 A Yes.</p> <p>10:29:04 20 Q But as an investor, do you have an</p> <p>10:29:07 21 understanding or can you tell me what your</p> <p>10:29:08 22 understanding is of the importance of the risk</p> <p>10:29:11 23 factors in a prospectus?</p> <p>10:29:15 24 A I'd certainly go to the risk factors.</p>	<p>10:30:33 1 manufacture of golf clubs a risk that would be</p> <p>10:30:35 2 common to all golf manufacturers?</p> <p>10:30:39 3 A Let me -- let me read the whole thing</p> <p>10:30:41 4 before I comment on that.</p> <p>10:30:59 5 Okay. I've read it. I</p> <p>10:31:01 6 believe that's probably accurate, yes, that it's</p> <p>10:31:05 7 common, not only to this particular IPO, but to</p> <p>10:31:08 8 other golf companies.</p> <p>10:31:11 9 Q And do you know if Adams Golf had</p> <p>10:31:13 10 ever had a problem with not being able to get --</p> <p>10:31:20 11 to get the component parts to make its golf clubs</p> <p>10:31:23 12 in a timely fashion up to this time, from between</p> <p>10:31:28 13 1990 and 1998 when you were on the board?</p> <p>10:31:30 14 A I don't recall that as being a</p> <p>10:31:32 15 problem prior to the -- prior to this -- this</p> <p>10:31:40 16 point in time, no.</p> <p>10:31:41 17 Q So -- so this was listed as a</p> <p>10:31:45 18 material risk even though it had not hurt Adams</p> <p>10:31:47 19 Golf in the past; is that correct?</p> <p>10:31:52 20 A Apparently.</p> <p>10:31:56 21 Q Is it -- is it your understanding</p> <p>10:31:58 22 that a risk has to be material before it's listed</p> <p>10:32:04 23 here?</p> <p>10:32:06 24 MR. KANE: Objection, form.</p>
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<p>10:29:17 1 I think the primary thing I generally look at is</p> <p>10:29:21 2 the common stock offered hereby involves a high</p> <p>10:29:26 3 degree of risk. It says: See risk factors, so I</p> <p>10:29:29 4 generally go back there. It's also -- you know,</p> <p>10:29:32 5 initial public offerings are risky, so --</p> <p>10:29:34 6 Q So the risk factors are an important</p> <p>10:29:37 7 part of the prospectus, as far as you're</p> <p>10:29:40 8 concerned?</p> <p>10:29:41 9 A They're apparently important enough</p> <p>10:29:43 10 that the SEC requires them to be in there, yeah.</p> <p>10:29:45 11 Q Do you remember looking at and</p> <p>10:29:47 12 discussing the risk factors in here?</p> <p>10:29:50 13 A I do not have a recollection of that</p> <p>10:29:53 14 sitting here today. I'm sure we did.</p> <p>10:29:58 15 Q Okay. I just wanted to ask you about</p> <p>10:30:00 16 a couple of them.</p> <p>10:30:12 17 A Okay.</p> <p>10:30:12 18 Q Just look at Sources of Supply for a</p> <p>10:30:16 19 moment.</p> <p>10:30:16 20 MS. BRANNEN: What page?</p> <p>10:30:17 21 MS. FOX: It's on Page 9.</p> <p>10:30:25 22 A Okay.</p> <p>10:30:25 23 Q (By Ms. Fox) Is the risk that there</p> <p>10:30:30 24 may not be available component parts used in the</p>	<p>10:32:06 1 MS. BRANNEN: Objection, form.</p> <p>10:32:08 2 A Could you define the word "material"?</p> <p>10:32:11 3 I'm not a lawyer.</p> <p>10:32:11 4 Q (By Ms. Fox) Well, lawyers --</p> <p>10:32:12 5 A Well, is --</p> <p>10:32:13 6 Q Lawyers have --</p> <p>10:32:15 7 A Let me ask this: Is the -- the</p> <p>10:32:17 8 word "material," does it have a legal definition</p> <p>10:32:21 9 that I'm maybe not understanding from my</p> <p>10:32:23 10 understanding of the English language?</p> <p>10:32:25 11 Q I believe it does, although it's very</p> <p>10:32:27 12 likely your understanding, and that is: Would it</p> <p>10:32:30 13 matter to an individual shareholder in buying the</p> <p>10:32:32 14 stock whether or not that thing was true? That's</p> <p>10:32:36 15 what makes something material.</p> <p>10:32:38 16 A I would think that it would -- so --</p> <p>10:32:41 17 so --</p> <p>10:32:42 18 MR. KANE: Can we repeat the</p> <p>10:32:43 19 question. I don't even know there's a question</p> <p>10:32:43 20 pending.</p> <p>10:32:46 21 THE WITNESS: There is, but</p> <p>10:32:47 22 I've forgotten it.</p> <p>10:32:47 23 MR. KANE: I just wanted to</p> <p>10:32:48 24 make sure.</p>

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<p>11:09:43 1 They'll just get more.</p> <p>11:09:45 2 Was there any discussion about</p> <p>11:09:46 3 buying all the clubs out of Costco?</p> <p>11:09:49 4 A I don't recall.</p> <p>11:09:49 5 Q You don't remember that?</p> <p>11:09:50 6 Do you remember any discussion</p> <p>11:09:52 7 about compensating retailers?</p> <p>11:09:58 8 A Not in those words. Reading here, I</p> <p>11:10:00 9 know that we talked about having the stand bag and</p> <p>11:10:05 10 working with them and trying to give them some --</p> <p>11:10:08 11 some pluses to make them happy.</p> <p>11:10:11 12 Q Were you aware that there was a</p> <p>11:10:12 13 price-matching policy in Canada before the IPO?</p> <p>11:10:17 14 A No, I wasn't aware of that. Well,</p> <p>11:10:20 15 sitting here today, I'm not aware of that. I</p> <p>11:10:23 16 don't remember that at all.</p> <p>11:10:24 17 Q Doesn't ring a bell at all?</p> <p>11:10:26 18 A Doesn't ring a bell.</p> <p>11:10:27 19 Q You can't say for certain that you</p> <p>11:10:29 20 didn't know?</p> <p>11:10:30 21 A Correct.</p> <p>11:10:30 22 Q If you had, would that have made a</p> <p>11:10:32 23 difference to you in -- in your assessment of the</p> <p>11:10:40 24 risk section of the IPO if you'd had a knowledge</p>	<p>11:11:40 1 the buyback policy was at the same time as the</p> <p>11:11:45 2 IPO?</p> <p>11:11:45 3 Q It was before the IPO.</p> <p>11:11:48 4 A I don't remember either one of them.</p> <p>11:11:49 5 MS. BRANNEN: Objection.</p> <p>11:11:49 6 I don't think she described it</p> <p>11:11:51 7 as a buyback policy.</p> <p>11:11:52 8 Q (By Ms. Fox) It's a price-matching</p> <p>11:11:54 9 policy.</p> <p>11:11:54 10 A Well, again, obviously, I apparently</p> <p>11:11:56 11 have a memory issue. I can't remember the last</p> <p>11:12:06 12 question.</p> <p>11:12:06 13 Q Okay. Do you remember discussing</p> <p>11:12:07 14 this memo or this issue with Mr. Brown?</p> <p>11:12:14 15 A I don't remember that. I'm sure I</p> <p>11:12:15 16 did. I don't remember any specific conversations</p> <p>11:12:18 17 I had with Paul, no.</p> <p>11:12:19 18 Q Did you -- did you generally discuss</p> <p>11:12:25 19 Adams Golf business?</p> <p>11:12:25 20 A That would be the correct word,</p> <p>11:12:27 21 "generally."</p> <p>11:12:27 22 MS. BRANNEN: Objection,</p> <p>11:12:28 23 vague. Are you still referring to with Mr. Brown?</p> <p>11:12:30 24 MS. FOX: Yeah.</p>
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<p>11:10:43 1 of that new policy, the price-matching policy?</p> <p>11:10:46 2 MS. BRANNEN: Objection,</p> <p>11:10:48 3 mischaracterizes prior testimony. I think we just</p> <p>11:10:52 4 established he's not sure he knew at the time.</p> <p>11:10:58 5 A So -- I'm sorry. Could you repeat</p> <p>11:11:00 6 the question?</p> <p>11:11:00 7 Q (By Ms. Fox) If you had known at the</p> <p>11:11:02 8 time, and we don't know whether you knew or not --</p> <p>11:11:04 9 A Right.</p> <p>11:11:04 10 Q -- but if you had known --</p> <p>11:11:06 11 A At what time? At the time of the</p> <p>11:11:11 12 IPO?</p> <p>11:11:11 13 Q Before the IPO.</p> <p>11:11:11 14 A Okay.</p> <p>11:11:11 15 Q -- that Adams had instituted a</p> <p>11:11:16 16 price-matching policy with its Canadian</p> <p>11:11:16 17 distributor who distributed all over Canada, would</p> <p>11:11:18 18 that have made a difference in your assessment of</p> <p>11:11:24 19 the risk section of the IPO?</p> <p>11:11:26 20 MR. KANE: Objection, calls</p> <p>11:11:27 21 for speculation.</p> <p>11:11:29 22 Q (By Ms. Fox) Well, do the best you</p> <p>11:11:31 23 can. If you don't know, you don't know.</p> <p>11:11:36 24 A I don't know. You're telling me that</p>	<p>11:12:33 1 A I'm sorry. Yes, I would say, you</p> <p>11:12:40 2 know, we'd go to lunch and we were talking about</p> <p>11:12:43 3 the business of Royal. Okay. What's going on</p> <p>11:12:45 4 here? What do you know about that? And Adams</p> <p>11:12:47 5 would definitely percolate to the top of</p> <p>11:12:50 6 conversations at times.</p> <p>11:12:53 7 Q (By Ms. Fox) Do you remember any</p> <p>11:12:54 8 discussions with him about either gray marketing</p> <p>11:12:57 9 or the Costco issue?</p> <p>11:13:01 10 A You know what, from the standpoint of</p> <p>11:13:03 11 the fact -- no, I don't remember any specific</p> <p>11:13:06 12 conversations with him about that. I'm sure they</p> <p>11:13:07 13 were, and -- and I remember the engraving machine</p> <p>11:13:16 14 issue and seeing a golf head club with the serial</p> <p>11:13:20 15 numbers on it and thinking that's going to be a</p> <p>11:13:22 16 pretty good way of catching these guys. So I seem</p> <p>11:13:24 17 to remember that kind of a conversation with them.</p> <p>11:13:26 18 Q Now, Adams Golf later issued a press</p> <p>11:13:31 19 release that said it had identified at least one</p> <p>11:13:32 20 company that was involved in gray marketing. Do</p> <p>11:13:35 21 you remember who that company was?</p> <p>11:13:36 22 A I do not.</p> <p>11:13:41 23 Q Did you ever know or --</p> <p>11:13:43 24 A No.</p>

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<p>11:13:43 1 Q You don't even remember if you knew  11:13:45 2 or not?  11:13:46 3 A Huh-uh.  11:13:52 4 Q This is Exhibit 56.  11:14:11 5 A Okay.  11:14:11 6 Q Exhibit 56 is an October 13th memo  11:14:16 7 from Barney Adams, again about the fourth quarter  11:14:18 8 and addressed to board members, including you.  11:14:23 9 A Okay.  11:14:24 10 Q Do you remember this memo?  11:14:25 11 A No, not particularly. I don't even  11:14:28 12 see his initials on it. Are we sure it was even  11:14:33 13 sent? I mean, generally, when something comes  11:14:35 14 from Barney, he's either signed it or initialed  11:14:39 15 it.  11:14:40 16 Q Well, he turned it over.  11:14:47 17 A Oh. Barney turned it over, not: Turn  11:14:50 18 it over.  11:14:51 19 Q In other words, it has Adams on the  11:14:53 20 bottom, which means it came in the production of  11:14:56 21 the company. Whether it was sent or not, I don't  11:14:58 22 know.  11:15:00 23 A All right.  11:15:00 24 Q But you don't remember --</p>	<p>11:16:17 1 MS. BRANNEN: Objection,  11:16:18 2 vague.  11:16:18 3 A Yeah. I'm not sure I agree even  11:16:21 4 sitting here today that -- that Barney's ranking  11:16:26 5 of: Terrible golf market, Costco, competition is  11:16:29 6 the entire -- I'm not sure if I agree with his  11:16:33 7 ranking. I'm not sure that I agree that's the  11:16:36 8 entire reason for the problems.  11:16:38 9 Q (By Ms. Fox) Did -- did you tell  11:16:39 10 Barney that at the time?  11:16:47 11 A That would be a comment that I would  11:16:49 12 have possibly said at a board meeting. I don't  11:16:51 13 recall saying it. I mean, it's the way my thought  11:16:55 14 processes work.  11:17:38 15 Q Okay. Okay. This is Exhibit 81.  11:17:59 16 MS. BRANNEN: Thanks. I gave  11:18:00 17 him that one.  11:18:05 18 MS. FOX: Okay. On the  11:18:26 19 record, Exhibit 81 is Adams 4519 through -21.  11:18:36 20 It's the official minutes of the October 19th,  11:18:41 21 1998 special meeting of the board of directors  11:18:46 22 coverage.  11:18:46 23 Q (By Ms. Fox) Do you remember  11:18:47 24 attending this special meeting?</p>
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<p>11:15:02 1 A No  11:15:02 2 Q -- any of this discussion?  11:15:03 3 A Well --  11:15:05 4 Q Okay  11:15:05 5 MS. BRANNEN: Read the  11:15:07 6 document.  11:15:07 7 THE WITNESS: Okay.  11:15:10 8 (Witness perusing document.)  11:15:35 9 A Okay. I've read it.  11:15:37 10 Q (By Ms. Fox) In the second  11:15:38 11 paragraph, he says: Why is Q4 so weak?  11:15:41 12 A Uh-huh.  11:15:42 13 Q Terrible golf market, Costco, and to  11:15:45 14 a lesser degree competition.  11:15:46 15 And then in parentheses: We  11:15:48 16 planned for the competition. Costco and the  11:15:50 17 terrible market were more of a surprise.  11:15:53 18 A Okay.  11:15:54 19 Q Was it a surprise to you that Costco  11:15:58 20 raised its ugly head at this period?  11:16:03 21 A Again, I don't -- I don't -- you  11:16:08 22 know, putting it in context sitting here today, I  11:16:10 23 don't specifically remember this memo. Did it  11:16:14 24 surprise me that Costco rose its ugly head?</p>	<p>11:18:48 1 A If it says I was there, I was there.  11:18:51 2 Again, we had a lot of meetings. I don't think I  11:18:59 3 really missed too many during my course on the  11:18:59 4 time of the board. But a specific recollection of  11:19:02 5 this particular meeting, no.  11:19:02 6 Q This was a conference telephone  11:19:06 7 meeting.  11:19:06 8 A Okay.  11:19:06 9 Q But again, I gather that happened  11:19:08 10 occasionally as well?  11:19:10 11 A It happened occasionally then, and it  11:19:14 12 probably happens two out of four now, so it's kind  11:19:18 13 of a common occurrence.  11:19:23 14 Q Having looked at this --  11:19:24 15 MS. BRANNEN: Read all the way  11:19:24 16 through.  11:19:26 17 THE WITNESS: Well, I'm down  11:19:27 18 to the bottom of Page 1, so --  11:20:45 19 A Okay.  11:20:45 20 Q (By Ms. Fox) Okay. Do you remember  11:20:47 21 the Costco discussion as -- now that you've read  11:20:51 22 it, does it refresh your recollection as to --  11:20:54 23 A Not particularly.  11:20:55 24 Q -- what was said?</p>

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<p>11:44:39 1 MS. BRANNEN: I know, but  11:44:39 2 you're saying he previously testified to this  11:44:42 3 exact sentence. He testified --  11:44:44 4 MS. FOX: I haven't yet said  11:44:45 5 anything  11:44:45 6 MS. BRANNEN: You said: I  11:44:46 7 believe you've testified previously that, and then  11:44:48 8 you read that sentence, and I don't think he's  11:44:50 9 testified specifically to that  11:44:52 10 Q (By Ms. Fox) You've testified  11:44:54 11 previously that you were aware of the laser  11:44:56 12 engraving issue?  11:44:58 13 A Yes.  11:44:58 14 Q My question, then, is about the next  11:45:03 15 issue: In an effort to reduce the negative  11:45:07 16 effects of Costco's discounting, the company is  11:45:07 17 planning to offer a \$25-per-club rebate to  11:45:11 18 effective retailers in Costco territories.  11:45:16 19 Did the board vote on that  11:45:18 20 rebate?  11:45:19 21 A I don't know that that's an item for  11:45:22 22 board approval, and I don't recall whether we  11:45:25 23 voted on it or not. That seems like more of a  11:45:27 24 report of management and their business policy</p>	<p>11:52:02 1 A I believed as -- as a member of the  11:52:05 2 board of directors and through individual  11:52:08 3 questions or comments I might have made at all  11:52:11 4 those meetings which I attended, that -- that I  11:52:18 5 fulfilled that obligation.  11:52:20 6 Q Other than the investigations of  11:52:23 7 other people, did you make any individual  11:52:27 8 investigation of the completeness or the truth of  11:52:33 9 this registration statement?  11:52:36 10 MS. BRANNEN: Objection, asked  11:52:37 11 and answered and vague.  11:52:38 12 MS. FOX: Okay.  11:52:39 13 A Other than what I've said in -- in  11:52:41 14 terms of asking questions and making comments at  11:52:48 15 board meetings, I believe that's all I recall  11:52:55 16 doing at the time. I may have actually spoken  11:52:57 17 with our -- with Royal's corporate counsel about  11:53:01 18 some of these issues, but I sure don't remember  11:53:04 19 that. It would have been something I might have  11:53:06 20 done.  11:53:06 21 Q (By Ms. Fox) Who is Royal's  11:53:08 22 corporate counsel?  11:53:08 23 A A group called -- Buchanan Ingersoll  11:53:12 24 in Pittsburgh.</p>
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<p>11:45:33 1 information back to the board.  11:45:34 2 Q Do you know how much that rebate  11:45:36 3 actually cost Adams Golf?  11:45:42 4 A Nope.  11:45:42 5 Q Do you remember any discussion about  11:45:43 6 the rebate --  11:45:45 7 A Not sitting here today, I don't.  11:45:46 8 Q -- and the board?  11:46:05 9 MS. FOX: Can I just have a  11:46:08 10 second to review my notes?  11:46:10 11 MS. BRANNEN: Sure.  11:46:10 12 (A recess was taken from  11:51:31 13 11:46 to 11:51.)  11:51:31 14 Q (By Ms. Fox) Can you describe what  11:51:33 15 you considered to be your obligation as a signer  11:51:37 16 of the registration statement in terms of due  11:51:43 17 diligence?  11:51:43 18 A It was my obligation as a member of  11:51:45 19 the board of directors --  11:51:46 20 Q Yes.  11:51:47 21 A -- to make myself comfortable that  11:51:51 22 the registration statement was true and correct.  11:51:56 23 Q Did you consider you had any  11:51:59 24 individual obligation to make an investigation?</p>	<p>11:53:14 1 MS. FOX: Okay. That's all  11:53:15 2 the questions I have.  11:53:16 3 THE WITNESS: Okay. Thank  11:53:17 4 you.  11:53:18 5 MS. BRANNEN: And I have no  11:53:18 6 questions at this time.  11:53:20 7 MR. KANE: I have no  8 questions.  9 (Off the record at 11:53 a.m.)  10 -----  11  12  13  14  15  16  17  18  19  20  21  22  23  24</p>

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IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE  
- - -

IN RE ADAMS GOLF, INC. : CONSOLIDATED  
:   
SECURITIES LITIGATION : C.A. No. 99-371 KAJ

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Friday, June 9, 2006  
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Oral deposition of BERNARD PICCHI, taken pursuant to notice, was held at the offices of SIMPSON, THACHER, AND BARTLETT, LLP, 425 Lexington Avenue, 29th Floor, New York, New York 10017, commencing at 10:04 a.m., on the above date, before Beth A. Barkocy, Certified Shorthand Reporter and Notary Public.

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<p>13:31:37 1 management of Adams Golf. Do you recall doing a  13:31:46 2 review of those things at November of 1998?  13:31:51 3 MR. McEVOY: Object as vague.  13:31:53 4 You can answer if you can.  13:31:55 5 THE WITNESS: No, I don't recall  13:31:56 6 that.  13:31:56 7 BY MR. LEWIS:  13:31:57 8 Q Do you recall anything specific that  13:32:00 9 precipitated your expectation in early November 1998  13:32:08 10 that Adams would achieve lower earnings than you had  13:32:22 11 previously expected?  13:32:23 12 MR. McEVOY: I object to the form of  13:32:24 13 the question.  13:32:25 14 If you understand it, you can  13:32:27 15 answer.  13:32:27 16 THE WITNESS: No, sir, I do not.  13:32:29 17 BY MR. LEWIS:  13:32:29 18 Q You understand the question but  13:32:31 19 don't recall the answer; is that right?  13:32:33 20 A I understand exactly what you're  13:32:34 21 asking, but I do not recall the sequence of events  13:32:36 22 that led to this particular rating or earnings  13:32:39 23 estimate change or new price target.  13:32:48 24 Q As best as you can recall, was the  13:32:52 25 rating change something that you initiated rather than</p>	<p>13:34:50 1 stock expected to increase by more than a  13:34:55 2 25-percentage-point differential versus the general  13:34:57 3 market, meaning, of course, the S&amp;P 500, and I think a  13:35:01 4 two rating was a lower numeric increase, say between  13:35:05 5 10 percent and 25 percent. I may be off on the  13:35:09 6 numbers, but that's approximately correct.  13:35:11 7 Q The outperform was a two?  13:35:13 8 A Correct.  13:35:15 9 MR. LEWIS: Let's take a break for a  13:35:17 10 second  13:35:17 11 (Recess )  13:45:52 12 BY MR. LEWIS:  13:46:06 13 Q Mr. Picchi, what, if anything, did  13:46:10 14 you do to prepare yourself for the deposition today?  13:46:19 15 THE WITNESS: May I --  13:46:20 16 MR. McEVOY: Off the record.  13:46:26 17 (Discussion held off the record.)  13:46:26 18 BY MR. LEWIS:  13:46:28 19 Q Don't tell me anything at the moment  13:46:30 20 that you said to your counsel, if you spoke to  13:46:36 21 counsel. I'm asking for events rather than content,  13:46:41 22 so what did you do to prepare for the deposition  13:46:43 23 today?  13:46:43 24 A I did absolutely nothing to prepare  13:46:46 25 for this deposition, absolutely nothing, and damn</p>
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<p>13:32:55 1 Mr. Lantier or vice versa?  13:33:06 2 A I don't know who initiated this. I  13:33:07 3 don't remember who was the first mover, he or I.  13:33:32 4 Q I've placed before you Exhibit-252,  13:33:38 5 a press release entitled Adams Golf Comments on Fourth  13:33:43 6 Quarter Outlook. Do you generally recall this  13:33:46 7 document?  13:33:46 8 A Sir, I do not generally recall the  13:33:50 9 document.  13:33:52 10 Q Do you recall a time when you cut  13:33:55 11 your ratings on Adams Golf from buy to outperform?  13:34:02 12 A I do not remember that, no.  13:34:07 13 Q Do you remember any cut in the  13:34:09 14 ratings of Adams Golf?  13:34:13 15 A Clarification: You're talking about  13:34:15 16 the coding, the investment rating on the shares, as  13:34:19 17 opposed to earnings estimates and price target?  13:34:22 18 Q Right.  13:34:23 19 A That's what I thought you meant. I  13:34:26 20 don't recall that; I don't recall having done that,  13:34:26 21 no.  13:34:30 22 Q What was the difference at Lehman  13:34:33 23 between an outperform and a I-buy recommendation?  13:34:43 24 A I'm trying to recall that, and I  13:34:46 25 believe an outperform, or a strong buy, a one, was a</p>	<p>13:46:55 1 proud of it.  13:46:56 2 Please don't put that on.  13:46:58 3 Q You're stuck.  13:47:00 4 Without telling me what you said or  13:47:03 5 what was said to you, did you meet with Mr. McEvoyn in  13:47:08 6 advance of today to prepare for your deposition?  13:47:10 7 A I did.  13:47:10 8 Q At what length did you do that?  13:47:12 9 A You mean in terms of period of time,  13:47:15 10 approximately?  13:47:15 11 Q Yes.  13:47:16 12 A About an hour, hour and a half  13:47:19 13 Q When was that?  13:47:20 14 A About two weeks ago.  13:47:21 15 Q Did you have contact with anyone  13:47:23 16 else in the world about your deposition before it  13:47:27 17 began?  13:47:27 18 A I did not.  13:47:29 19 Q Have you had contact with Brian  13:47:33 20 Lantier about the fact that you were going to appear  13:47:36 21 for deposition?  13:47:36 22 A Yes, I did. I sent him an e-mail.  13:47:39 23 Q When was that?  13:47:40 24 A About a week ago.  13:47:41 25 Q Have you been, generally, in touch</p>

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<p>13:47:45 1 with Mr Lantier since he left Lehman Brothers?</p> <p>13:47:48 2 A. I have, yes</p> <p>13:47:49 3 Q. Are you friends?</p> <p>13:47:50 4 A. Yes, socially.</p> <p>13:47:53 5 Q. Have you seen a transcript of</p> <p>13:47:55 6 Mr Lantier's testimony?</p> <p>13:47:57 7 A. I have not.</p> <p>13:47:58 8 Q. What were the circumstances, as you</p> <p>13:48:00 9 understand it, under which Mr Lantier left Lehman</p> <p>13:48:06 10 Brothers?</p> <p>13:48:06 11 A. I have to think about that I</p> <p>13:48:18 12 honestly do not recall the circumstances under which</p> <p>13:48:21 13 he left Lehman Brothers I believe that he wanted to</p> <p>13:48:26 14 move to upstate New York I think it was a lifestyle</p> <p>13:48:30 15 decision for Brian</p> <p>13:48:32 16 Q. Do you know that or you just believe</p> <p>13:48:35 17 that?</p> <p>13:48:35 18 A. I believe that to be the case I</p> <p>13:48:38 19 don't know, actually, why he left.</p> <p>13:48:40 20 Q. Did you review any documents in</p> <p>13:48:42 21 preparation for your deposition --</p> <p>13:48:44 22 A. No, sir, I did not</p> <p>13:48:44 23 Q. -- without telling me what they</p> <p>13:48:46 24 are?</p> <p>13:48:46 25 A. No, I did not.</p>	<p>13:50:00 1 where I was, of course; my coworkers and wife and</p> <p>13:50:05 2 daughter, yes.</p> <p>13:50:06 3 MR. LEWIS: I have nothing further</p> <p>13:50:06 4 at this time.</p> <p>13:50:06 5 MR. McEVOY: I have no questions.</p> <p>13:50:09 6 MS. MORIATY: I have a few.</p> <p>13:50:12 7 BY MS. MORIATY:</p> <p>13:50:12 8 Q. What were the reasons for the price</p> <p>13:50:15 9 decline of Adams Golf stock following the IPO?</p> <p>13:50:19 10 MR. LEWIS: Objection to foundation</p> <p>13:50:21 11 and form.</p> <p>13:50:22 12 THE WITNESS: The reasons, I</p> <p>13:50:26 13 believe, for the weakness in the stock price</p> <p>13:50:29 14 and the decline in the stock price were, I</p> <p>13:50:33 15 would say, primarily because of the peaking</p> <p>13:50:38 16 out in market demand for the company's</p> <p>13:50:41 17 principal product, the Tight Lies fairway</p> <p>13:50:43 18 wood, combined, importantly, with the second</p> <p>13:50:46 19 factor, which was the inability of the</p> <p>13:50:49 20 company to develop any follow-on products I</p> <p>13:51:03 21 think those were really the two primary</p> <p>13:51:05 22 reasons.</p> <p>13:51:05 23 There was, at the same time, a</p> <p>13:51:07 24 general weakness, I think, in the golf</p> <p>13:51:09 25 equipment market, perhaps because of</p>
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<p>13:48:48 1 Q. Did you retain any documents</p> <p>13:48:51 2 personally from your work regarding Adams Golf at</p> <p>13:48:56 3 Lehman Brothers?</p> <p>13:48:58 4 A. I did not.</p> <p>13:48:58 5 Q. Did you save any documents on your</p> <p>13:49:01 6 home computer relating to Adams Golf?</p> <p>13:49:05 7 A. No, I did not.</p> <p>13:49:06 8 Q. Did you have a laptop while you were</p> <p>13:49:09 9 at Lehman?</p> <p>13:49:10 10 A. Is your question did I have a</p> <p>13:49:13 11 Lehman-issued laptop?</p> <p>13:49:16 12 Q. Did you have a laptop of any kind</p> <p>13:49:19 13 while you were at Lehman?</p> <p>13:49:20 14 A. I believe I did, yes, so when I went</p> <p>13:49:24 15 on the road I would be able to take a computer, but I</p> <p>13:49:27 16 honestly don't recall whether I had a laptop or not.</p> <p>13:49:33 17 Q. Did you save any documents on floppy</p> <p>13:49:41 18 disk relating to Adams while you were at Lehman?</p> <p>13:49:45 19 A. No, sir, I did not.</p> <p>13:49:47 20 Q. Did you let anyone other than</p> <p>13:49:49 21 Mr. Lantier know that you were appearing for a</p> <p>13:49:52 22 deposition?</p> <p>13:49:53 23 A. No, I did not.</p> <p>13:49:54 24 Q. Your family, coworkers?</p> <p>13:49:56 25 A. My wife, coworkers, they had to know</p>	<p>13:51:12 1 demographic trends, and I would finally cite,</p> <p>13:51:15 2 although I don't think it was the principal</p> <p>13:51:17 3 reason, just a general weakness in small</p> <p>13:51:21 4 capitalization shares at that time.</p> <p>13:51:26 5 BY MS. MORIATY:</p> <p>13:51:26 6 Q. I'm going to turn you to</p> <p>13:51:29 7 Exhibit-180</p> <p>13:51:42 8 A. Pardon me while I find that.</p> <p>13:51:47 9 Okay.</p> <p>13:51:49 10 Q. We looked at this document earlier.</p> <p>13:51:53 11 We looked on Page 20, which is Bates labeled Adams</p> <p>13:52:00 12 4054, we looked at the second paragraph, which is</p> <p>13:52:02 13 labeled Valuation. The second sentence says negative</p> <p>13:52:07 14 sentiment has settled around the entire golf industry</p> <p>13:52:10 15 following a series of press releases from companies</p> <p>13:52:12 16 like Callaway Golf, Titleist, Arnold Palmer Golf, and</p> <p>13:52:16 17 Golden Bear Golf. This negative sentiment, is that</p> <p>13:52:20 18 what you're referring to when you were talking about</p> <p>13:52:22 19 softness in the golf market?</p> <p>13:52:22 20 A. Yes.</p> <p>13:52:25 21 MR. LEWIS: Objection to the form.</p> <p>13:52:27 22 THE WITNESS: That is correct; that</p> <p>13:52:28 23 is exactly what I meant</p> <p>13:52:30 24 BY MS. MORIATY:</p> <p>13:52:30 25 Q. In the sentence following that</p>

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<p>13:52:33 1 sentence, you say we do not believe that these  13:52:36 2 negative news items should impact Adams Golf. You  13:52:38 3 have already testified that this document is an  13:52:40 4 accurate recording of what you and Brian Lantier  13:52:43 5 thought at the time, so my question is not that, my  13:52:47 6 question is in retrospect, knowing what you know now  13:52:52 7 and having seen the decline following this of the  13:52:55 8 Adams golf price that you testified to earlier, was  13:52:59 9 this a correct statement?  13:53:01 10 MR. LEWIS: Objection to form and  13:53:02 11 foundation.  13:53:04 12 THE WITNESS: Well, knowing what we  13:53:07 13 know now with the accuracy of hindsight, this  13:53:11 14 was not a correct statement. We believed it  13:53:15 15 to be correct at the time as we thought that  13:53:18 16 this could be the exceptional company, this  13:53:21 17 could be the company whose wonderful new  13:53:25 18 product and whose follow-on products could be  13:53:29 19 the exception to the rule. There had been a  13:53:33 20 lot of emphasis of that in a lot of the  13:53:35 21 industries as well, but it turned out, in  13:53:37 22 fact, that they were taken down with  13:53:39 23 everything else in the rest of the golfing  13:53:40 24 industry, yes  13:53:42 25 BY MS. MORIATY:</p>	<p>13:54:55 1 Q. Finally, you testified that as a  13:54:59 2 part of -- let's see if I can refer to it in this  13:55:10 3 document.  13:55:17 4 (Discussion held off the record.)  13:55:28 5 BY MS. MORIATY:  13:55:28 6 Q. Earlier you discussed Page 27, which  13:55:32 7 is labeled Adams 4061, and you talked about how you  13:55:35 8 were doing a poll of Adams retailers periodically as a  13:55:41 9 part of your due diligence and as a part of your  13:55:50 10 ongoing --  13:55:50 11 MR. McEVROY: Off the record.  13:55:50 12 (Discussion held off the record.)  13:55:50 13 BY MS. MORIATY:  13:56:29 14 Q. -- research. You testified that you  13:56:33 15 called these Adams retailers both before and after the  13:56:38 16 IPO  13:56:38 17 A. Right.  13:56:39 18 Q. Were you asking them the same  13:56:41 19 questions, basically, before and after the IPO?  13:56:43 20 MR. LEWIS: Objection to form.  13:56:45 21 THE WITNESS: Yes, we were asking  13:56:47 22 the same questions both before and after the  13:56:49 23 IPO; correct  13:56:50 24 BY MS. MORIATY:  13:56:50 25 Q. In your opinion, were the questions</p>
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<p>13:53:42 1 Q. I'm going to turn your attention to  13:53:44 2 the next paragraph following that in which you  13:53:48 3 caution, in the second sentence; however, we caution  13:53:52 4 there is still only one true publicly traded company  13:53:57 5 comparable to Adams Golf, and that is Callaway Golf.  13:54:00 6 You discussed this earlier with Mr. Lewis. In the  13:54:04 7 second sentence that follows that, however, you write  13:54:07 8 unfortunately, the growth rates and product portfolios  13:54:10 9 are so dramatically different for these companies that  13:54:13 10 even this comparison is not completely accurate  13:54:16 11 My question is if these companies  13:54:19 12 differed dramatically, as you write, in their growth  13:54:22 13 rates and product portfolios, how were they  13:54:26 14 comparable?  13:54:26 15 MR. LEWIS: Objection to form  13:54:27 16 THE WITNESS: What I meant is they  13:54:29 17 were comparable in the sense of being at that  13:54:33 18 time, I believe, the only two publicly traded  13:54:36 19 pure golf equipment companies, but the point  13:54:39 20 of differentiation is that Callaway seemed to  13:54:42 21 be very mature and on the downside of its  13:54:45 22 life cycle, whereas it appeared at that time  13:54:48 23 that Adams Golf was really just beginning its  13:54:53 24 growth cycle.  13:54:55 25 BY MS. MORIATY:</p>	<p>13:56:51 1 you and Brian Lantier were asking these retailers  13:56:54 2 formulated so that if the retailers were experiencing  13:56:57 3 gray marketing, they would have brought it up with you  13:57:01 4 during those calls?  13:57:02 5 MR. LEWIS: Objection to form.  13:57:03 6 THE WITNESS: Yes. What we were  13:57:05 7 trying to ask the retailers and other  13:57:08 8 distribution channels at the time were a  13:57:10 9 series of questions that would elicit from  13:57:13 10 the retailers or other channel distributors  13:57:16 11 any negatives at all, or positives, so we  13:57:20 12 certainly were trying to cast a wide net  13:57:22 13 looking for anything we could find that could  13:57:25 14 be negative to the story.  13:57:27 15 MS. MORIATY: I think that's all I  13:57:29 16 have.  13:57:29 17 MR. LEWIS: I have a few more; thank  13:57:31 18 you  13:57:31 19 BY MR. LEWIS:  13:57:32 20 Q. You referred in this recent  13:57:34 21 testimony in response to Ms. Moriarty's questions as an  13:57:40 22 inability of Adams to develop a follow-on product.  13:57:45 23 Can you explain what you meant by that?  13:57:47 24 A. Yes. When we had our due diligence  13:57:52 25 meetings with the company, the company explained to us</p>

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<p>13:58:00 1 its plans for developing a line of drivers as well as</p> <p>13:58:05 2 sort of follow-on fairway products, not just the Tight</p> <p>13:58:10 3 Lie but other fairway products they were thinking of</p> <p>13:58:13 4 developing. They seemed to be pretty far along in the</p> <p>13:58:16 5 research and development. I think they were just</p> <p>13:58:19 6 looking for some foundry manufacturers that they could</p> <p>13:58:23 7 actually outsource the manufacturing of those</p> <p>13:58:26 8 particular clubs, so that's what I'm talking about.</p> <p>13:58:29 9 They just never seemed to be able to get any kind of</p> <p>13:58:32 10 traction in the sense of developing any kind of</p> <p>13:58:36 11 commercial product beyond this sort of one hit wonder</p> <p>13:58:39 12 of the Tight Lie.</p> <p>13:58:40 13 Q When had you expected they would</p> <p>13:58:43 14 have been able to develop it?</p> <p>13:58:44 15 A The answer is very quickly after the</p> <p>13:58:48 16 time we were talking to them in the spring of '98, so</p> <p>13:58:52 17 we certainly expected the company to be in actual</p> <p>13:58:56 18 development, I mean commercial development, of</p> <p>13:58:59 19 products by, certainly, before the end of the year,</p> <p>13:59:03 20 certainly in time for, say, the next year's golf</p> <p>13:59:06 21 season.</p> <p>13:59:07 22 Q When did you learn that that was not</p> <p>13:59:09 23 to be the case?</p> <p>13:59:12 24 A I don't recall specifically, but my</p> <p>13:59:16 25 vague recollection is we probably didn't learn that</p>	<p>14:01:27 1 marketing issue with Adams?</p> <p>14:01:33 2 MR. McEVOY: Object to the form</p> <p>14:01:35 3 THE WITNESS: Yeah; well, point of</p> <p>14:01:39 4 clarification. This isn't the question you</p> <p>14:01:42 5 were asking. We were sort of aware of</p> <p>14:01:44 6 another issue that you haven't asked about</p> <p>14:01:47 7 that's sort of related to gray market, which</p> <p>14:01:50 8 is more of a black market issue. We were</p> <p>14:01:53 9 aware that some of the foundry manufacturers</p> <p>14:01:56 10 of the clubs were making too many of the</p> <p>14:01:59 11 clubs, basically, and they were pirating the</p> <p>14:02:02 12 clubs and selling them not really through the</p> <p>14:02:06 13 gray market but the black market. That's a</p> <p>14:02:09 14 purely illegal activity. We felt, very</p> <p>14:02:12 15 certainly, that would be something that would</p> <p>14:02:14 16 stop because it was so patently illegal, but</p> <p>14:02:17 17 no, we were not aware of any gray market</p> <p>14:02:19 18 issues where the company was itself, as I</p> <p>14:02:23 19 understand gray market, quite legally selling</p> <p>14:02:26 20 around its normal distribution channels.</p> <p>14:02:29 21 That was not something that we were aware of,</p> <p>14:02:33 22 not because we weren't looking for negatives</p> <p>14:02:36 23 but it's just something that never seemed to</p> <p>14:02:39 24 come up during the due diligence process.</p> <p>14:02:43 25 BY MR. LEWIS:</p>
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<p>13:59:19 1 until, I'd say, probably the fall of '98</p> <p>13:59:27 2 Q Let's go back to Page 20 of</p> <p>13:59:36 3 Exhibit-180. Do I correctly understand your testimony</p> <p>14:00:01 4 to be that when you used the phrase weakness in the</p> <p>14:00:08 5 golf equipment market, you were referring to negative</p> <p>14:00:12 6 sentiment arising from the press releases described in</p> <p>14:00:16 7 the second paragraph on that page?</p> <p>14:00:17 8 MR. McEVOY: I'm just going to</p> <p>14:00:18 9 object because I'm not sure that correctly</p> <p>14:00:24 10 characterizes his testimony.</p> <p>14:00:28 11 You can answer the question.</p> <p>14:00:29 12 THE WITNESS: Can you tell me what</p> <p>14:00:31 13 you're referring to; where is that exactly?</p> <p>14:00:35 14 BY MR. LEWIS:</p> <p>14:00:35 15 Q (Indicating )</p> <p>14:00:58 16 MR. McEVOY: Can you read back the</p> <p>14:00:58 17 question</p> <p>14:00:58 18 (The pending question was read</p> <p>14:01:00 19 back )</p> <p>14:01:00 20 THE WITNESS: The answer is yes.</p> <p>14:01:00 21 BY MR. LEWIS:</p> <p>14:01:11 22 Q Ms. Moriarty asked you about the</p> <p>14:01:15 23 questionnaires that were used in surveying retailers.</p> <p>14:01:22 24 Am I correct that when those questionnaires were</p> <p>14:01:25 25 developed, you were unaware that there was any gray</p>	<p>14:02:44 1 Q Is it your understanding as you sit</p> <p>14:02:46 2 here at this moment that Adams, in fact, engaged in</p> <p>14:02:49 3 gray marketing in 1998?</p> <p>14:02:52 4 MR. McEVOY: Object to the form</p> <p>14:02:52 5 BY MR. LEWIS:</p> <p>14:02:56 6 Q As you have used the terms.</p> <p>14:02:59 7 A In 2006. Frankly, sir, the only</p> <p>14:03:03 8 reason I am aware of it is because of this deposition.</p> <p>14:03:07 9 My memory has been refreshed as a result of seeing</p> <p>14:03:12 10 some of these late-year press releases about the gray</p> <p>14:03:15 11 market, but it was never an issue that was front and</p> <p>14:03:20 12 center in any of the discussions that we had had with</p> <p>14:03:25 13 any of the channels of distribution of the company's</p> <p>14:03:29 14 clubs.</p> <p>14:03:29 15 Q Or with the company?</p> <p>14:03:30 16 A Or with the company, exactly.</p> <p>14:03:33 17 Q If I asked you about unauthorized</p> <p>14:03:38 18 distribution of Adams products, would your answer be</p> <p>14:03:41 19 any different than your answer has been with respect</p> <p>14:03:43 20 to gray marketing?</p> <p>14:03:45 21 MR. McEVOY: I just object to the</p> <p>14:03:46 22 form.</p> <p>14:03:47 23 You can answer it</p> <p>14:03:48 24 THE WITNESS: The answer, sir, is</p> <p>14:03:50 25 no, it wouldn't be any different.</p>

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